



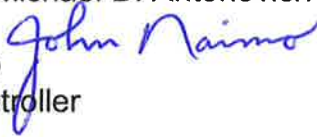
JOHN NAIMO
AUDITOR-CONTROLLER

**COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER**

KENNETH HAHN HALL OF ADMINISTRATION
500 WEST TEMPLE STREET, ROOM 525
LOS ANGELES, CALIFORNIA 90012-3873
PHONE: (213) 974-8301 FAX: (213) 626-5427

November 7, 2016

TO: Supervisor Hilda L. Solis, Chair
Supervisor Mark Ridley-Thomas
Supervisor Sheila Kuehl
Supervisor Don Knabe
Supervisor Michael D. Antonovich

FROM: John Naimo 
Auditor-Controller

SUBJECT: **DEPARTMENT OF CHILDREN AND FAMILY SERVICES – EMPLOYEE
VEHICLE DAMAGE REIMBURSEMENTS FOLLOW-UP REVIEW**

We have completed a follow-up review of the Department of Children and Family Services' (DCFS or Department) progress in implementing the recommendations from our August 2008 report on employee vehicle damage claim reimbursements. Our report identified 13 recommendations involving claim supporting documentation, timeliness of claim submission, and the claim review and investigation process. Our follow-up review included reviewing claims from Fiscal Years (FY) 2013-14 and 2014-15, verifying claim information with outside companies, evaluating internal controls over the claim process, and interviewing DCFS personnel. During FYs 2013-14 and 2014-15, DCFS paid approximately \$200,000 and \$300,000 in vehicle damage claim reimbursements, respectively.

Summary of Findings

DCFS management has made progress in implementing recommendations, including standardizing the vehicle damage claim checklist, improving claim timeliness, and enhancing claim processes. Overall, we noted that DCFS fully implemented five (38%) recommendations, partially implemented six (46%) recommendations, and did not implement two (15%) recommendations. We also identified some additional issues during our follow-up review involving total loss calculation errors, reimbursements made to inappropriate personnel (e.g., uncertified drivers, etc.), and incomplete claim logs. Details of our findings and recommendations are included in Attachment I.

Review of Report

We discussed the results of our review with DCFS management. DCFS' attached response (Attachment II) indicates general agreement with our findings and recommendations.

We thank DCFS management and staff for their cooperation and assistance during our review. If you have any questions please call me, or your staff may contact Robert Smythe at (213) 253-0100.

JN:AB:PH:RS:ZP

Attachments

c: Sachi A. Hamai, Chief Executive Officer
Philip L. Browning, Director, Department of Children and Family Services
Public Information Office
Audit Committee

**DEPARTMENT OF CHILDREN AND FAMILY SERVICES
EMPLOYEE VEHICLE DAMAGE REIMBURSEMENTS FOLLOW-UP REVIEW**

Background and Scope

In 2008, we completed a review of the Department of Children and Family Services' (DCFS or Department) employee vehicle damage claim reimbursements. DCFS paid approximately \$1.1 million in vehicle damage claim reimbursements during the 2 1/2 year period we reviewed. Our review resulted in 13 recommendations involving claim supporting documentation, timeliness of claim submission, and the claim review and investigation process.

We have completed a follow-up review to determine whether DCFS has made progress in implementing the recommendations. Our follow-up review included reviewing claims from Fiscal Years (FY) 2013-14 and 2014-15, verifying claim information with outside companies, evaluating internal controls over the claim process, and interviewing DCFS personnel. During FYs 2013-14 and 2014-15, DCFS paid approximately \$200,000 and \$300,000 in vehicle damage claim reimbursements, respectively.

Recommendation Implementation Status

DCFS management has made progress in implementing recommendations, including standardizing the vehicle damage claim checklist, improving claim timeliness, and enhancing claim processes. Overall, we noted that DCFS fully implemented five (38%) recommendations, partially implemented six (46%) recommendations, and did not implement two (15%) recommendations. The following provides the status of the eight recommendations the Department has not fully implemented:

Recommendation 1

Department of Children and Family Services management ensure Health and Safety Management only processes claims that include all required documents that are complete, consistent and contain proper approvals.

Current Status: PARTIALLY IMPLEMENTED

We reviewed 50 of DCFS' vehicle damage claims and noted that the Health and Safety Management Unit (HSM) processed 18 (36%) claims with incomplete documentation. For example, required documents were missing (e.g., police report, etc.) and forms had omitted information (i.e., odometer reading). While these issues need to be corrected, DCFS has improved from our prior review. We also could not identify the supervisors/managers who approved five (10%) of the claims because signatures were illegible. Adding fields to claim forms for printed names would help for documentation purposes.

Recommendation 4

Department of Children and Family Services management require Health and Safety Management to standardize the vehicle claim checklist to include all required documents, and use the checklist for every claim.

Current Status: PARTIALLY IMPLEMENTED

HSM standardized the vehicle damage claim checklist and appropriately included all of the required documents. However, we noted that HSM staff either did not complete the checklist or did not check off every item for 19 (38%) of the claims we reviewed.

Recommendation 5

Department of Children and Family Services management develop and implement claim processing procedures requiring supervisors to submit the approved original claim forms directly to Health and Safety Management, and not return the original forms to employees.

Current Status: PARTIALLY IMPLEMENTED

DCFS developed claim processing procedures requiring supervisors to submit approved original claim forms directly to HSM, instead of returning them to employees. However, we noted that DCFS supervisors returned approved original claim forms to employees (who then submitted forms to HSM) for at least six (12%) of the claims we reviewed.

Recommendation 6

Department of Children and Family Services management investigate the claims where it appears the employee did not work on the days of the accidents and recover any inappropriate payments.

Current Status: PARTIALLY IMPLEMENTED

Our prior review noted that HSM processed two vehicle damage claims, totaling \$5,800, for an employee whose timecards indicated the employee was not working on the dates of the accidents. DCFS referred these claims to the Auditor-Controller's Office of County Investigations (OCI) for further review. OCI confirmed that the employee did not work on the accident date for one claim, totaling \$1,900, but could not do so for the remaining claim. DCFS management indicated that they have not tried to collect the inappropriate payment because the employee was out on leave and later terminated. Nevertheless, collection should have been attempted (e.g., issuing overpayment letter, contacting the Treasurer and Tax Collector, etc.).

Recommendation 8

Department of Children and Family Services management ensure repair estimates and rental car claims are reasonable, and consistent with the claim documents and pictures.

Current Status: PARTIALLY IMPLEMENTED

We noted that the Department does not have procedures in place to ensure that rental car claims are reasonable. We reviewed 18 vehicle damage claims involving rental car expenses, and noted that the rental period appeared excessive for one (6%) of the claims. The catalytic converter in the employee's vehicle needed to be replaced and the employee was reimbursed for a 23-day car rental, totaling \$980. We contacted various repair shops, including the two repair shops from the estimates submitted by the employee, and they indicated that the repair is generally completed in three days. It should be noted that we did not identify any issues regarding excessive repair estimates during our review.

Recommendation 9

Department of Children and Family Services management ensure that Health and Safety Management scrutinizes all single-vehicle claims and claims from employees who file claims frequently to ensure that the incidents/accidents are work-related and properly supported.

Current Status: NOT IMPLEMENTED

HSM has not developed procedures to scrutinize all claims involving single-vehicles or employees who file frequent claims. These claims carry greater risks of not being work-related or properly supported, and we noted some instances of the risks materializing. For example, an employee was reimbursed \$600 for repairs to two front tires that were damaged while driving; however, service reports from the dealership indicated that the tires were worn down to the cords and did not specify that any additional damage had occurred. In addition, another employee was reimbursed \$800 for damages that appeared to be similar to a prior claim they filed. It should be noted that DCFS referred these claims to OCI subsequent to our review. OCI confirmed that there was evidence that one claim was fraudulent, and has referred this matter to the District Attorney. The other claim was unsubstantiated.

Recommendation 10

Department of Children and Family Services management work with Internal Services Department and Chief Executive Office's Risk Management Branch to establish agreements for on-site windshield repair/replacement, and use the agreement vendors for windshield damage claims.

Current Status: **NOT IMPLEMENTED**

Our prior review noted that DCFS was paying approximately three times market value for windshield repairs. DCFS has yet to work with the Internal Services Department (ISD) or Chief Executive Office to establish agreements for on-site windshield repairs at lower costs. Instead, DCFS selected an unlicensed vendor to provide services without soliciting bids from other vendors. In addition, the vendor did not actually complete windshield repairs themselves. They operated as a middleman that paid other vendors to complete repairs, charged DCFS a price markup, and profited from the difference. It should be noted that DCFS has stopped using the vendor and currently uses two other unlicensed vendors. However, there are many licensed vendors throughout the County that could be used to provide on-site windshield repairs, and vendors (e.g., Safelite, LA Auto Glass, All Star, etc.) with websites that provide immediate cost estimates.

Recommendation 13

Department of Children and Family Services management require Health and Safety Management to periodically select a sample of claims and confirm that employees did not receive reimbursement from another source.

Current Status: **PARTIALLY IMPLEMENTED**

After our 2008 review, HSM started conducting claim reviews to determine whether employees were receiving reimbursements from insurance companies. However, they have not completed these reviews since March 2015. In addition, it appears as though HSM staff are not always contacting insurance companies when the reviews are completed, and the reviews are not approved by management. We noted that for 22 (13%) of the 164 claims HSM reviewed over the period of a year, there were no annotations on the review log documenting the results (e.g., insurance company contacted, payments made, etc.). HSM staff need to periodically and appropriately conduct these reviews to ensure issues are addressed timely. We completed our own review and identified one employee who received reimbursement from the County and an insurance company for the same accident. Fortunately, the reimbursement check from the County, totaling \$1,800, was not negotiated by the employee, and DCFS was able to cancel the check after we notified them.

Additional Findings

During the course of our follow-up review, we noted the following additional issues that were not identified during our previous review:

Total Loss Reimbursements

If estimated repair costs exceed current fair market value of a vehicle (i.e., total loss), County and departmental policy limit reimbursement amounts to the difference between fair market value and salvage value. We noted that for two (67%) of the three claims

we reviewed involving total losses, HSM did not reduce reimbursement amounts by the salvage value, resulting in reimbursements totaling \$4,300 higher than otherwise should have been paid. We also noted that HSM staff do not always appropriately check the fair market value of a vehicle to evaluate whether a total loss exists. Fair market value information was not included in 40 (80%) of the 50 claims we reviewed, and five (10%) claims included an incorrect fair market value (i.e., wrong model). In addition, we identified a claim in which the employee was reimbursed for repairs exceeding the fair market value of the vehicle, resulting in a reimbursement \$1,900 higher than otherwise should have been paid. DCFS management should provide training to HSM staff regarding total losses, require them to obtain vehicle fair market values for all claims, and ensure claims are processed appropriately.

Inappropriate Reimbursements

We identified the following inappropriate vehicle damage claim reimbursements during our review:

- **Not DCFS Employee:** HSM reimbursed an ISD employee \$2,100 for vehicle damage that occurred in a DCFS parking lot. The employee also submitted a claim to ISD that was denied because it was filed late. HSM should only pay claims from DCFS employees.
- **Not Certified Driver:** HSM reimbursed an employee \$4,600 for an accident that occurred while they were delivering County mail. However, the employee was not eligible for the reimbursement because they were not certified as a mileage permittee or occasional driver at the time of the accident.
- **Not Personal Vehicle:** HSM reimbursed an employee \$2,300 for damages to a vehicle that was registered to other family members and did not list the employee as the insured. County employees may only receive reimbursement for damages to personally owned or leased vehicles.

DCFS management should ensure that HSM only issues reimbursements to certified departmental employees for damage to their personally owned or leased vehicles. They should also ensure that only certified departmental employees are allowed to drive on County business.

Incomplete Claim Log

HSM maintains a claim log that documents pertinent information (e.g., employee name, accident date, description of damages, amounts reimbursed to employee, etc.) for each claim received. We noted that the log included several inaccuracies, including missing claims, incorrect accident dates, and incomplete reimbursement amounts. In addition, we identified 15 claims that were not included on the log. DCFS management needs to ensure HSM maintains an accurate and complete claim log to identify and resolve any claim irregularities (e.g., duplicate claims, frequent claimants, etc.).

New Recommendations

Department of Children and Family Services management:

- 1. Provide training to Health and Safety Management staff regarding total losses, require them to obtain vehicle fair market values for all claims, and ensure claims are processed appropriately.**
- 2. Ensure Health and Safety Management only issues reimbursements to certified departmental employees for damage to their personally owned or leased vehicles.**
- 3. Ensure only certified departmental employees are allowed to drive on County business.**
- 4. Ensure Health and Safety Management maintains an accurate/complete claim log.**
- 5. Investigate and recover all inappropriate and overpaid vehicle damage claim reimbursements identified in this report.**



**County of Los Angeles
DEPARTMENT OF CHILDREN AND FAMILY SERVICES**

425 Shatto Place, Los Angeles, California 90020
(213) 351-5802

PHILIP L. BROWNING
Director

BRANDON NICHOLS
Chief Deputy Director

Board of Supervisors
HILDA L. SOLIS
First District
MARK RIDLEY-THOMAS
Second District
SHEILA KUEHL
Third District
DON KNABE
Fourth District
MICHAEL D. ANTONOVICH
Fifth District

October 25, 2016

To: John Naimo
Auditor-Controller

From: Philip L. Browning
Director

A handwritten signature in black ink, appearing to be "P. Browning", written over the printed name and title.

RESPONSE TO THE AUDITOR-CONTROLLER'S DEPARTMENT OF CHILDREN AND FAMILY SERVICES – EMPLOYEE VEHICLE DAMAGE REIMBURSEMENTS FOLLOW-UP REVIEW

Attached is the Department of Children and Family Services' (DCFS) response to the Auditor-Controller's (A-C) report, which details the A-C's findings of DCFS Employee Vehicle Damage Reimbursements Follow-up Review. We have thoroughly reviewed the report and taken into consideration the issues and recommendations outlined. We generally agree with the recommendations contained within this report and we have initiated and actively taken corrective measures that strengthen management controls over the vehicle damage reimbursement process to implement all of the recommendations by June 2017. Specifically, the Department would like to highlight that we have fully or partially implemented all prior recommendations with the exception of one that requires further consultation with CEO Risk Management and A-C, as well as the possible addition of new staff.

We appreciate the opportunity to have DCFS' responses directly included with your final report to the Board of Supervisors. My Department is committed to improving internal practices to ensure compliance with County Fiscal Policies, and we thank you and your staff for the time and resources devoted to reviewing our operations. I continue to believe that employee vehicle damage reimbursement is a specialized technical function which could best be performed by the A-C or CEO Risk Management rather than individual departments. I would appreciate your thoughts on where this function might be best housed to ensure maximum accountability.

If you have any questions or require additional information, please have your staff contact Rogelio Tapia, Administrative Deputy, at (213) 351-5624.

PLB:BN
CMM:RT:jc

Attachment

c: Brandon Nichols, Chief Deputy Director
Cynthia McCoy Miller, Senior Deputy Director
Rogelio Tapia, Administrative Deputy III
Lynne Condon, Department Human Resources Manager III

"To Enrich Lives Through Effective and Caring Service"

Attachment I

AUDIT RESPONSE
DEPARTMENT OF CHILDREN AND FAMILY SERVICES
EMPLOYEE VEHICLE DAMAGE REIMBURSEMENTS FOLLOW-UP REVIEW

Recommendation 1

Department of Children and Family Services management ensure Health and Safety Management only processes claims that include all required documents that are complete, consistent and contain proper approvals.

DCFS Response: Agree. On June 3, 2016, the Department of Children and Family Services (DCFS) Health and Safety Management instructed its staff to only process claims that include all required documents that are complete, consistent and contain proper approvals.

Additionally, on September 7, 2016, DCFS Health and Safety Management consulted with the Chief Executive Office – Risk Management Branch in the revision of its Management Directive on claims for damage to personal vehicle to ensure clarity on the claim process parameters, terms, and conditions. It is projected that these Management Directive revisions will be completed by February 2017.

Recommendation 4

Department of Children and Family Services management require Health and Safety Management to standardize the vehicle claim checklist to include all required documents, and use the checklist for every claim.

DCFS Response: Agree. DCFS re-trained the Health and Safety Management Section's staff on the *Instructions for Completing the Vehicle Damage Reimbursement Claim Checklist* guide, as well as instructed them to follow the guide when evaluating a permittee's request for reimbursement of vehicle damage to ensure all pertinent required information has been received and items on the checklist have been checked off for all claims submitted for payment.

Recommendation 5

Department of Children and Family Services management develop and implement claim processing procedures requiring supervisors to submit the approved original claim forms directly to Health and Safety Management, and not return the original forms to employees.

DCFS – Employee Vehicle Damage Reimbursements Follow-up Review **Page 2**

DCFS Response: Agree. DCFS will modify the claim processing procedures in its *Damage To Personal Vehicles and Third Party Liability Coverage Management Directive* to require employees to submit the claim forms electronically to the Office Head and also require the Office Heads or their designees to submit the approved claim packet forms electronically to the Health and Safety Management, and not return the original forms to employees. It is projected that this update to the Management Directive will be completed by February 2017.

Recommendation 6

Department of Children and Family Services management investigate the claims where it appears the employee did not work on the days of the accidents and recover any inappropriate payments.

DCFS Response: Agree. DCFS' Health and Safety Management previously investigated claims where it appeared the employee did not work on the days of the accidents with the intention to recover any inappropriate payments. The Department has since recently consulted with the Chief Executive Office – Risk Management Branch regarding the one claim identified in this report for an employee who was overpaid \$1,900 and collection efforts are currently underway.

In addition, on July 27, 2016, Health and Safety Management implemented an internal desk procedures/guidelines for the Collection of Vehicle Damage Claim Reimbursement Overpayment.

Recommendation 8

Department of Children and Family Services management ensure repair estimates and rental car claims are reasonable, and consistent with the claim documents and pictures.

DCFS Response: Agree. DCFS will consult with the Chief Executive Office – Risk Management Branch and the Auditor-Controller on the revision of its Management Directive *Repair Estimates and Rental Car Claims* procedures to assure alignment with county-wide policy; thereby, ensuring repair estimates and vehicle rental reimbursement claims received are reasonable, and consistent with the claim documents. Revisions to the Management Directive are projected to be completed by February 2017. Any updates made to the Management Directive in this area will be discussed during a subsequent Director's All Managers Meeting. The revised Management Directive will also be e-mailed to all staff, and posted on the Department's LAKids website.

DCFS – Employee Vehicle Damage Reimbursements Follow-up Review **Page 3**

Recommendation 9

Department of Children and Family Services management ensure that Health and Safety Management scrutinizes all single-vehicle claims and claims from employees who file claims frequently to ensure that the incidents/accidents are work-related and properly supported.

DCFS Response: Agree. DCFS Health and Safety Management will consult with the Chief Executive Office – Risk Management Branch and the Auditor-Controller on the development of procedures that align with county-wide policy to ensure all single-vehicle claims and claims from employees who file claims frequently are reasonable and appropriately scrutinized.

Recommendation 10

Department of Children and Family Services management work with Internal Services Department and Chief Executive Office's Risk Management Branch to establish agreements for on-site windshield repair/replacement, and use the agreement vendors for windshield damage claims.

DCFS Response: Agree. The revised protocols require that DCFS Health and Safety Management receive from the Procurement Section, estimates for windshield repair from licensed vendors. Licensed vendor estimates obtained from the DCFS Procurement Section will be compared to the estimates provided by the employee submitting the claim. OHSM will select the lowest priced estimate for the actual windshield repair.

Recommendation 13

Department of Children and Family Services management require Health and Safety Management to periodically select a sample of claims and confirm that employees did not receive reimbursement from another source.

DCFS Response: Agree. On July 11, 2016, DCFS Health and Safety Management provided training to its staff on the review of approved claims to ensure that employees did not receive reimbursement from another source.

Additionally, on July 27, 2016, DCFS Health and Safety Management implemented an internal operational quality assurance process that requires the periodic random sample review of at least 30% of approved claims on a quarterly basis to confirm that employees did not receive reimbursement from another source.

DCFS – Employee Vehicle Damage Reimbursements Follow-up Review Page 4

New Recommendations

Department of Children and Family Services management:

1. **Provide training to Health and Safety Management staff regarding total losses, require them to obtain vehicle fair market values for all claims, and ensure claims are processed appropriately.**

DCFS Response: Agree. On June 3, 2016, DCFS provided training to its Health and Safety Management staff on the processing of claims that covered total losses, and obtaining the required vehicle fair market values for all claims to be approved. By February 2017, DCFS Health and Safety Management will also share and discuss with its staff updated internal operational procedures/guidelines to ensure that vehicle damage claims are processed appropriately.

2. **Ensure Health and Safety Management only issues reimbursements to certified departmental employees for damage to their personally owned or leased vehicles.**

DCFS Response: Agree. It is DCFS' current policy to only process claims of vehicles personally owned or leased by its employees. DCFS took corrective action on the employee who was identified in the A-C's report as having erroneously processed the claim. DCFS also initiated collection of the inappropriate payment made to the employee.

3. **Ensure only certified departmental employees are allowed to drive on County business.**

DCFS Response: Agree. It is against DCFS' policy to allow a non-permittee to drive while conducting County business. DCFS took corrective action on the manager who assigned the affected employee to deliver County mail. DCFS will send out a reminder e-mail blast to all staff by the end of this calendar year reiterating that non-permittees are not allowed to drive for the purpose of conducting County business.

4. **Ensure Health and Safety Management maintains an accurate/complete claim log.**

DCFS Response: Agree. DCFS Health and Safety Management has implemented a procedure to ensure all claims are logged and an accurate/complete claim log is maintained. In addition, the Health and Safety Management will update the Department's Management Directive to include its internal operational procedures. Revisions to the Management Directive that will be completed by February 2017.

DCFS – Employee Vehicle Damage Reimbursements Follow-up Review **Page 5**

- 5. Investigate and recover all inappropriate and overpaid vehicle damage claim reimbursements identified in this report.**

DCFS Response: Agree. DCFS investigated and initiated the process for collection of the overpayments and inappropriate payments identified in this report.